

Memorandum

DATE: March 21, 2008

Audit Report Number: OAS-L-08-08

REPLY TO

ATTN OF:

IG-321 (A07LV042)

SUBJECT:

Audit Report on "Accountability of Sensitive and High Risk Property at the Nevada Site Office"

TO:

Acting Manager, Nevada Site Office

INTRODUCTION AND OBJECTIVE

The Department of Energy has specific requirements for maintaining accountability and control over sensitive and high risk property because of the vulnerability to loss, theft or misuse and its potential impact on national security interests or proliferation concerns. Items such as portable and desktop computers, ammunition and firearms are examples of sensitive property. In addition, federal regulations require that Departmental organizations and designated contractors account for and control government-owned high risk property, such as body armor and gas masks, throughout its life cycle. Principal site contractors at the Nevada Site Office (Nevada) who are required to account for and control sensitive and high risk property include: Wackenhut Services, Inc. (Wackenhut), Chugach McKinley, Inc. (Chugach), and National Security Technologies, LLC.

We conducted this audit to determine whether Nevada and its contractors could account for sensitive and high risk property.

CONCLUSIONS AND OBSERVATIONS

Although Nevada and its contractors generally adhered to the requirements for sensitive and high risk property established in *41 CFR 109, Department of Energy Property Management Regulations*, we found instances of noncompliance with the requirements. Specifically:

- Wackenhut had not maintained life cycle accountability for body armor and gas masks assigned to protective force personnel. For example, Wackenhut was unable to account for body armor that had been assigned to 15 employees who were no longer employed by Wackenhut.
- Wackenhut had not required reviews of body armor and gas masks to ensure the equipment was no longer usable prior to disposal as required by federal

regulations. To its credit, in January 2008, Wackenhut developed and implemented procedures to ensure that body armor and gas masks are screened for continued usefulness prior to disposal.

- Nevada had not recovered a sensitive government-owned computer and electronic equipment assigned to a contractor upon completion of work in December 2002. There was no documentation supporting any efforts by Nevada to recover the property from the contractor, or to identify it as lost or stolen property for follow-up by appropriate authorities.
- Chugach had not always ensured that former employees accounted for their assigned government property prior to their departure. For example, when two employees left in 2007, Chugach assigned their sensitive property items to a new custodian without performing a physical verification of the equipment. According to the newly assigned custodian, the property list contained items that she had never seen or used; yet it was her responsibility to account for the property. We performed an inventory in September 2007 of the 190 items assigned to the custodian and could not locate 13 items, consisting of laptops and Pocket PCs. Six of these items had been reported as lost or stolen.

Finally, we found that Nevada had not fully implemented inventory controls over Department of Energy Common Operating Environment program computer equipment. Specifically, Nevada had not assigned property numbers to 40 computers it received from the Department's Office of the Chief Information Officer in October 2006, nor entered the computers into property records. Nevada had not accounted for the computers due to confusion about responsibility for property accountability. As a result of our audit, in February 2008, the Department's Office of Civilian Radioactive Waste Management was tasked with numbering and tracking these computers pending a Departmental decision on who will ultimately be responsible for the computers.

SUGGESTED ACTIONS

To improve compliance with sensitive and high risk property requirements, we suggest that the Nevada Site Office Manager:

1. Ensure that contractors account for high risk property throughout its life cycle in accordance with Federal Regulation, *41 CFR 109, Department of Energy Property Management Regulations*; and,
2. Ensure that government property assigned to contractor employees is properly accounted for when the contract is completed or when employment is terminated.

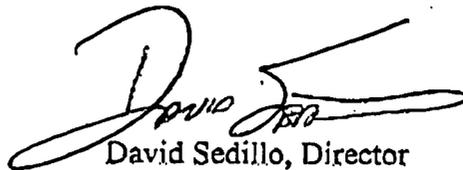
Since we are not making formal recommendations, a formal response is not required. We appreciate the cooperation of your staff and the contractor officials who provided information or assistance.

SCOPE AND METHODOLGY

We reviewed sensitive and high risk property purchased, issued, excessed and on hand during fiscal years 2005 through 2007. Our review was conducted at the following locations in Las Vegas, Nevada: Nevada Site Office; National Security Technologies, LLC; Chugach McKinley, Inc.; Wackenhut Services, Inc.; Stoller-Navarro Joint Venture; Desert Research Institute; Raytheon/NCI; Remote Sensing Laboratory, Nellis Air Force Base; and the Nevada Test Site, Mercury, Nevada. The review was performed between May 2007 and January 2008.

We conducted interviews with Nevada Site Office officials, Office of the Chief Information Office officials and various contractors regarding their management and oversight of sensitive and defense related high risk property. In addition, we judgmentally selected and tested sensitive property from the various contractors; inventoried protective force high risk property at the Nevada Test Site and inventoried Department of Energy Common Operating Environment desktop computers at the Nevada Site Office. Finally, we analyzed data from the property management databases including Sunflower Assets, Building Maintenance and Property Management and Tracker.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation. We relied on computer-processed data to accomplish the audit objective and conducted limited testing on the data we used to satisfy the audit objective.



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